
DRIVING A STRONG ECONOMY COMMITTEE
Report
January 26, 2004

Members Present: Chair Forrest Williams, Vice-Chair Terry Gregory, Councilmember
Chuck Reed

Absent: Councilmember Judy Chirco

Staff Present: Paul Krutko, Stephen Haase, Katy Allen, Timm Borden, Lacy Atkinson,
Betsy Shotwell

Guests: Jim Cunneen, Carl Guardino, Jeff Luney

The meeting was convened at 1:36 p.m.

1. Development Services Performance Update (Planning, Building & Code Enforcement)

Stephen Haase, Director of Planning, Building & Code Enforcement, Katy Allen, Director of Public Works, Lacy Atkinson, Deputy Fire Chief, Fire Department, and Timm Borden, Deputy Director of Public Works, presented this report and update. Collaborating with industry groups such as the Home Builder's Association of Northern California, the National Association of Industrial and Office Parks, and the San Jose Silicon Valley Chamber of Commerce Development Review Committee, helped staff to develop goals to prevent service from deteriorating to less than acceptable levels.

Through the first two quarters of 2003-04, performance has improved when compared to 2002-03. Through December 2003, revenue is exceeding expectations in two of the four development fee programs. Revenues for the Building Division and Public Works Department are \$2.5 million above the estimate for the first half of the fiscal year. Revenue for the Planning Division is on target to meet the current year projection, while revenue for the Fire Department's fee program is lower than anticipated due to the mix of projects being received. Because of the revenue shortfall and lower activity in the Fire Fee Program, the Department has left two fee-supported positions vacant.

Management staff from all four of the Development Services Divisions now meet weekly in an effort to ensure the City's development process is fully integrated and speaks clearly with one voice. Enhanced service options are now offered to customers with larger projects at a premium price. Ensuring consistency of review comments saved

significant amounts of time for customers on a tight timeline. Through the first 6 months of FY 2003-04, 860 projects were processed and only 1 could not be delivered in the promised expedited time frame. On this project the customer received a refund of the premium fee increment and was still pleased with the 4-day turn around time.

The fee premium raised approximately \$430,000 in new revenue for the Building Division. In addition, a number of important service commitments to the development community have been accomplished and others are well under way. Processing times and process predictability have improved, the fee programs are closer to financial stability, and customers are pleased with the new enhanced service options. Staff will be completing a survey in the next 6 months, a comparing what other cities are charging for fee development services. Staff will return to the Committee in April with their next update.

Councilmember Reed suggested that a "Cost to Carry" column be added to the San Jose Summary of Cost of Development Survey to reflect the cost to the proposed project of the amount of time it took to get approval.

Vice-Chair Gregory asked why Core Services Performance Measures data was not provided for the Fire Department. Staff replied that the surveying cycles between the four divisions are not yet synchronized. Information has been collected and will be included in the next update. Vice-Chair Gregory asked the development community if they were satisfied with the services they were paying for.

Jim Cunneen, President and CEO of the San Jose Chamber of Commerce, stated that the development review community are pleased with the progress and collaboration the City has provided them and the business community. The community was concerned initially with the fee increases, but was appreciative that senior staff involved the community at the onset and helped them understand their role in helping the City meet its performance and service goals. Based on the results of the performance data, services are being provided.

Vice-Chair Gregory asked if there were any issues, customers were still seeking improvements on. Staff responded that better surveying techniques would be implemented to gauge public comments. This will be included in the next update cycle. Vice-Chair Gregory asked about activity for projects completed per planner and how it is measured. Staff responded that the data represents the average number of projects a planner completes, though it is not reflective of the type of project, which can vary the amount of time a planner is actually involved. Vice-Chair Gregory suggested it would be helpful to break out the type of projects planners are reviewing, and be able to factor in the amount of time certain projects require.

Jeff Luney, CEO of Jet Black Consulting, spoke on the kinds of applications being submitted. Due to the refinance boom in the past two years, a larger number of home improvement permits and building applications are being processed in comparison to past

years where commercial project predominated. Mr. Luney stated that at a recent development community meeting, the industry did agree they were being better serviced and getting what they were paying for, and was appreciative for the willingness of City senior management to work collaboratively them.

Councilmember Reed stated it would be helpful to know the number of development reviews, which end up not building in San Jose. Staff responded data could be obtained from other cities to determine how much evaluation they are doing, and measure that to San Jose's number and compare if we are getting our share of reviews. Staff can also suggested a follow up phone interview on the development reviews that didn't move past the review stage. Paul Krutko suggested that the Economic and Neighborhood Development City Services Area would discuss a methodology for surveying those applications that did not move forward.

Upon motion of Councilmember Reed, seconded by Vice-Chair Gregory, the Committee accepted staff's report "Development Services Performance Update".

2. State and Federal Regulations Impacting San Jose Business (Office of Economic Development)

Paul Krutko, Director of the Office of Economic Development, and Kim Walesh, Assistant Director of the Office of Economic Development, were present to facilitate discussion for this staff report. San Jose's Economic Development Strategy calls for a focused, public-private advocacy voice in Sacramento and Washington, D.C. on issues affecting the San Jose economy, and the competitiveness of San Jose-based businesses and the attractiveness of San Jose compared to other locations nationally and internationally. Jim Cunneen, President and CEO of the San Jose Chamber of Commerce, and Carl Guardino, President and CEO of the Silicon Valley Manufacturing Group, joined staff to identify potential areas for collaborative advocacy. Key state and federal policy issues affecting the cost of doing business, and the cost of living, prepared jointly by the Silicon Valley Manufacturing Group, the San Jose Silicon Valley Chamber of Commerce, the American Electronics Association, and TechNet, were presented:

- I. The Cost of Doing Business
 - Workers Compensation Reform
 - Mandatory Health Care-Employer Mandated Healthcare
 - Manufacturer's Investment Tax Credit
 - Research and Development Tax Credit
 - Unitary Utilization of Tax Credits
 - Relief from Exposure to Frivolous Lawsuits (Tort Reform)
 - Advance collection of disposal fees high tech products
- II. The Cost of Living
 - Affordable Homes

- Transportation Improvements
- Quality K-12 Education
- World Class Higher Education System
- Oppose Mandatory Expensing of Stock Options
- Broadband Deployment
- Reliable and Affordable Source of Energy
- Environmental Stewardship
- Affordable and Available Water Supply (CalFed and Hetch Hetchy)

Both Mr. Cunneen and Mr. Guardino stated that California's economic recovery and the state's business climate are inextricably connected. In order to regain economic competitiveness, grow the economy and save jobs, public and private sector leaders need to work together to effectively identify:

- Top priorities for advocacy that are shared by businesses and the City of San Jose
- Top priorities for businesses that the City could support actively and,
- Top priorities for the City of San Jose that business could support actively.

Vice-Chair Gregory expressed an interest in knowing what position the private sector is taking on the attempts to streamline CEQA for infill development.

Councilmember Reed stated he is in full support of the Environmental Stewardship issue, as he serves on a board that represents San Jose to improve environmental conditions. Councilmember Reed suggested that the City's legislative analyst review the various issues and refer a recommendation to the Rules Committee.

Paul Krutko, Director of the Office of Economic Development (OED), emphasized the desire to identify at least 2-3 issues that the private and public sector could decide to collaborate on immediately.

Carl Guardino, President and CEO, Silicon Valley Manufacturing Group, contributed the following issues as his priorities:

1. Workers Compensation
2. Affordable Housing CEQA reform
3. Mandatory Healthcare
4. Relief from Exposure to Frivolous Lawsuits (Tort Reform)

Jim Cunneen, President and CEO, San Jose Chamber of Commerce, agreed to these same issues and asked that the City also show a commitment with leadership on the investment concept, to help create an environment for entrepreneurship to flourish.

Chair Williams would like consideration for the Budget Accountability Act (Proposition 56) to be analyzed for possible inclusion.

Councilmember Reed identified the following issues that he would prioritize:

1. Workers Compensation
2. Mandatory Healthcare
3. Research and Development Tax Credits
4. Relief from Exposure to Frivolous Lawsuits (Tort Reform)

Councilmember Reed also asked that analysis of Propositions 56, 57, and 58 be done by the City's Intergovernmental Director and presented to the full Council since it is on the March 2004 ballot, and to include the thoughts of the private sector on these propositions.

Carl Guardino asked to also include Proposition 55 that addresses the quality of education.

Chair Williams asked Betsy Shotwell, Director of Intergovernmental Relations, to prepare analysis of the issues working with the Office of Economic Development, Carl Guardino and Jim Cunneen recommended they refer these priorities to the Rules Committee.

The committee accepted staff's report and recommended staff to do further analysis of the priority issues the City and private sector should collaborate on and refer this to the Rules Committee for further evaluation and action.

3. Oral Petitions

Phyllis Ward, Affordable Housing Network, spoke on Secondary Units.

4. Adjournment

The meeting was adjourned at 3:07 p.m.

Forrest Williams, Chair
Driving a Strong Economy Committee

